



DEPARTMENT OF STATE

Washington, D.C. 20520

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May 11, 1982

TO:	NSC	- Michael O. Wheeler----	8213540
	ACDA	- Joseph Presel-----	8213541
	Agriculture	- Raymond Lett-----	8213542
	AID	- Gerald Pagano-----	8213543
	CIA	- [REDACTED]-----	
	Defense	- Col. John Standord----	8213545
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SUBJECT: EA Regional Meeting on FY 1984 Foreign Assistance
Proposal for East Asian and Pacific Countries

Attached is a paper to serve as a vehicle for discussion at a meeting to be held on May 17, 1982, at 1:30 pm at the Department of State, Room 6205. The meeting will be chaired by Deputy Assistant Secretary Daniel O'Donohue. We suggest that attendance be limited to principals plus one.

L. Paul Bremer, III
L. Paul Bremer, III
Executive Secretary

Attachment:

State Dept. review completed.

As stated

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FOREIGN POLICY OBJECTIVES PAPER TO SUPPORT INTERAGENCY
MEETING ON FY-1984 FOREIGN ASSISTANCE PROPOSAL FOR
EAST ASIAN AND PACIFIC COUNTRIES

The purpose of the interagency meeting scheduled for May 17, 1982, at the Department of State, is to discuss the integration of military and economic assistance for FY 1984 into a single strategic package - the Pacific Strategic component of our global strategy. Once we have agreed on how our regional priorities mesh with both the broad and specific foreign policy objectives outlined by the Secretary, program resources can be tailored logically to best support our priorities.

Upon conclusion of the interagency meeting on May 17, the Bureau of East Asian and Pacific Affairs will submit a written summary to the principals of the major points of consensus and issues for bilateral and multilateral assistance.

Program resources for East Asian and Pacific countries should be allocated to support the following regional foreign policy objectives:

-- Direct protection of our treaty relationships with recipient countries, i.e., the Philippines, Korea and

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Thailand. Assistance to these countries has the ancillary effect of strengthening our relationships with such other treaty allies as Japan, Australia and New Zealand which do not receive credit or grant assistance but do tend to view indicator of our resolve to remain a Pacific power.

-- Strengthen the front-line states, Korea and Thailand, to help deter North Korean or Vietnamese aggression.

-- Maintain unhampered use of military facilities in the Philippines.

-- Maintain and enhance defense relations with East Asian countries with strategic proximity to key sea lanes of communication in the region and those that link East Asia to the Indian Ocean and the Middle East. These include Indonesia, Malaysia, the Philippines, Singapore and Thailand. Aid to Thailand specifically strengthens our relationship with all the ASEAN countries.

-- Assure continued access to significant commercial markets and basic raw materials. This includes all of the ASEAN countries and Korea. East Asia's rapidly growing economies and their ties to the US are of increasing importance. Indonesia is noteworthy as an OPEC country which provides some six percent of US petroleum imports and generally plays a moderate role in the Non-aligned Movement (NAM), the

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Islamic Conference, and OPEC. Singapore, although its relative wealth obviates the need for FMS credits or development assistance, provides access to excellent, strategically located air and seaport facilities for US forces operating in the Indian Ocean.

-- Insure that development assistance serves an overall security/foreign policy objective.

-- Maintain and strengthen our ties in the South Pacific, thus blocking Soviet attempts to gain influence. Encouragement of Fiji's support of US peace initiatives in the Sinai and its participation in United Nations Peacekeeping Forces in Lebanon (UNIFIL) are cases in point. US assistance in improving the agricultural and fishing techniques of Pacific Island nations is a relatively low-cost investment in regional stability.

-- Strengthen ASEAN and US ties to ASEAN. ASEAN has emerged as a major force for stability in Southeast Asia and is of central importance to US interests in the region. Although US ties to ASEAN are strengthened primarily through our bilateral relations with ASEAN's member nations, some economic assistance to the region is an important signal of the importance which the US attaches to ASEAN per se.

-- Control refugee flows through continued assistance to and cooperation with Thailand and other countries of first asylum.

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-- Impede the flow of narcotics, through support for suppression efforts by Burma and Thailand.

-- Encourage gradual improvement in relations with Burma; strategically located and emerging from self-imposed isolation, Burma has made clear it seeks closer ties with the US.

Although the many uncertainties prevailing so early in the year make it difficult to predict final dollar amounts, we can use the above stated objectives for rough rank ordering among possible levels.

The attached tables for the PACIFIC STRATEGIC package illustrate the relationship of possible program levels to our foreign policy objectives.

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PACIFIC STRATEGIC
(\$ in millions)

Country	BASE					CUMULATIVE				
	FMSG	FMSD	ESF	DA	PL-480	FMSC	FMSD	ESF	DA	PL-480
Philippines	50	--	50	40	14.0					
Korea	220	--	--	--	--					
Thailand	50	50	10	28	--					
Indonesia	55	--	--	65	29.0					
Malaysia	13	--	--	--	--					
Burma	--	--	--	12.5	--					
TOTALS	388	50	60	145.5	43.0					

Note: Excludes DA for South Pacific and ASEAN, plus centrally funded Asia Regional Programs.

Excludes IMET which is done separately.

REMARKS: With the exception of DA for the Philippines and PL-480 for Indonesia, these are levels proposed for FY 1983 (with some adjustment for inflation). If these levels should prevail into FY 1984, the regional threats and needs remain relatively the same. Therefore, the proportional shares would remain the same.

If funds for the region were reduced below these minimum levels, the reductions would be spread proportionately. This chart is not a reflection of estimated requirements which will surely be higher considering the increasing Soviet, North Korean and Vietnamese threats.

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PACIFIC STRATEGIC
(\$ in millions)

Country	INCREMENT I					CUMULATIVE				
	FMSG	FMSD	ESF	DA	PL-480	FMSG	FMSD	ESF	DA	PL-480
Philippines	--	--	--	--	--	50	--	50	40.0	14.0
Korea	30	--	--	--	--	250	--	--	--	--
Thailand	10	--	2	3	--	60	50	12	31	--
Indonesia	5	--	--	7	--	60	--	--	72	29
Malaysia	2	--	--	--	--	15	--	--	--	--
Burma	--	3	--	2.5	--	--	3	--	15.0	--
TOTALS	47	3	2	12.5	--	435	53	62	158.0	43.0

These levels would permit Korea to begin to redress the persisting dangerous imbalance on the Korean Peninsula by accelerating somewhat the lagging Force Improvement Program (FIP); would strengthen Thai and other ASEAN leaders in their attempt to achieve a long-term solution to the Kampuchean problem, help maintain the principle of first asylum for Indochinese refugees and increase modestly US influence on direction of rapidly expanding Thai economy; and the credits for Burma would be of some assistance in helping Burma with its modest military purchasing requirements.

The increased levels of development assistance will enhance military security by permitting more timely completion of projects designed to improve living standards.

The ESF increment would enhance socio-economic development of the poorer areas along the Lao and Kampuchean borders.

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PACIFIC STRATEGIC
(\$ in millions)

Country	INCREMENT II					CUMULATIVE				
	FMSG	FMSD	ESF	DA	PL-480	FMSG	FMSD	ESF	DA	PL-480
Philippines	--	--	--	4.4	--	50	--	50	44.4	14.0
Korea	50	--	--	--	--	300	--	--	--	--
Thailand	15	--	--	3	--	75	50	12	34	--
Indonesia	--	--	--	--	--	60	--	--	72	29
Malaysia	--	--	--	--	--	15	--	--	--	--
Burma	--	--	--	6.5	--	--	3	--	21.5	--
TOTALS	65	--	--	13.9	--	500	53	62	171.9	43.0

The increased levels of FMS levels and direct credits for Korea will be an important step in redressing the military imbalance between North and South Korea, while providing some economic relief for a country whose payments to the U.S. on previous loans have long exceeded the FMS credits provided, at the same time that their military procurement requirements remain high.

The increased guaranteed credits along with the direct financing will assist Thailand to initiate urgently needed (in view of increasing Vietnamese activities and force improvements) major, multiyear purchases of advanced systems such as attack aircraft and integrated air defense and command and control systems.

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